

City of New London

**Independent Auditor's Report
Financial Statements and Supplementary Information
Independent Auditor's Report on Internal Control and Compliance
Schedule of Findings and Questioned Costs**

June 30, 2008

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**City of New London
City Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike McBeth	Mayor	December, 2011
Frank Staley	Council Member	December, 2009
Mike Westerbeck	Council Member	December, 2009
Mark Hempen	Council Member	December, 2009
Joe White	Council Member	December, 2011
Ed Pilch	Council Member	December, 2011
Kasi A. Lenz	City Clerk/Treasurer	Indefinite
Jeri Lyles	Deputy Clerk/Secretary	Indefinite
Patrick Brau	Attorney	Indefinite
Scott Housman	Utility Board Chairman	November, 2009
Ron Miller	Utility Trustee	November, 2011
Gary Blanck	Utility Trustee	November, 2013
Jerry Wilhelm	Utility Trustee	November, 2013
Daryl Gipple	Utility Trustee	November, 2009



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Independent Auditor's Report

Honorable Mayor and Members of City Council
City of New London, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New London, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of New London's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New London as of and for the year ended June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated August 12, 2008 on our consideration of the City of New London's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 and budgetary comparison information on pages 23 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

CPA Associates PC

August 12, 2008

City of New London Management's Discussion and Analysis

The City of New London provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities (not including transfers) increased 42%, or approximately \$397,000, from fiscal 2007 to fiscal 2008. Property tax increased approximately \$8,000, interest income increased \$14,000, local option tax increased \$19,000, miscellaneous fees decreased \$7,000, charges for services increased \$12,000 and intergovernmental receipts increased \$351,000.
- Disbursements increased 70%, or approximately \$614,200 in fiscal 2008 from fiscal 2007. Public safety increased approximately \$79,800, general government increased approximately \$17,300 and capital projects increased approximately \$556,700. Public works decreased approximately \$48,000.
- The City's total cash basis net assets increased 1.04%, or approximately \$19,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$112,000 and the assets of the business type activities increased by approximately \$131,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government wide statement by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, electrical distribution and refuse collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide information for the electrical distribution, waterworks, refuse collection and sanitary sewer system, all considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$743,906 to \$631,890. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
Receipts:		
Program receipts:		
Charges for services	\$ 24	\$ 12
Operating grants, contributions and restricted interest	203	204
Capital grants, contributions and restricted interest	446	94
General receipts:		
Property tax	355	347
Tax increment financing collections	30	29
Local option sales tax	166	147
Unrestricted interest on investments	32	18
Other general receipts	<u>92</u>	<u>100</u>
Total receipts	<u>1,348</u>	<u>951</u>
Disbursements:		
Public safety	376	297
Public works	230	173
Culture and recreation	119	114
General government	140	122
Debt service	31	26
Capital projects	<u>586</u>	<u>135</u>
Total disbursements	<u>1,482</u>	<u>867</u>
Change in cash basis net assets before transfers	(134)	84
Transfers	<u>22</u>	<u>-</u>
Change in cash basis net assets	(112)	84
Cash basis net assets beginning of year	<u>744</u>	<u>660</u>
Cash basis net assets end of year	<u>\$ 632</u>	<u>\$ 744</u>

The City's total receipts for governmental activities increased by 41.75%, or \$397,000. The total cost of all programs and services increased approximately \$615,000 with no new programs added this year. The significant increase in receipts was the Childcare Community Development Block Grant of \$413,325. The significant increase in disbursements was the capital projects payments for the childcare center of \$413,325, payments for the safe routes sidewalks of \$33,755, payments for the downtown sidewalk construction of \$115,262 and payments for sealcoating and Adams Street parking of \$36,000.

The cost of all governmental activities this year was \$1,482,000, compared to \$867,000 last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only \$808,800 because some of the cost was paid by those directly benefited from the programs (\$23,600) or by other governments and organizations that subsidized certain programs with grants and contributions (\$648,900). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$808,800 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		Year Ended June 30,	
		<u>2008</u>	<u>2007</u>
Receipts:			
Program receipts:			
Charges for services:			
Water charges	\$	176	\$ 182
Electric		1,603	1,448
Sewer		198	201
Sanitation		128	118
General receipts:			
Unrestricted interest on investments		40	30
Loan proceeds		-	217
Other miscellaneous receipts		<u>212</u>	<u>156</u>
Total receipts		<u>2,357</u>	<u>2,352</u>
Disbursements and transfers:			
Water		177	201
Electric		1,729	1,682
Sewer		185	350
Sanitation		<u>113</u>	<u>117</u>
Total disbursements		<u>2,204</u>	<u>2,350</u>
Change in cash basis net assets before transfers		153	2
Transfers		<u>(22)</u>	<u>-</u>
Change in cash basis net assets		131	2
Cash basis net assets beginning of year		<u>1,086</u>	<u>1,084</u>
Cash basis net assets end of year	\$	<u>1,217</u>	\$ <u>1,086</u>

Total business type activities receipts for the fiscal year were \$2.357 million compared to \$2.352 million the prior year. The cash balance increased by approximately \$131,100 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$183,400, a decrease of \$93,900 from the prior year. This decrease was due to an increase in regular salaries for public safety of \$35,500 and two public safety vehicles purchased for \$35,200.

- The Road Use Tax Fund cash balance increased by \$19,900 to \$133,200 during the fiscal year.
- The Debt Service Fund cash balance increased by \$4,800 to \$6,400 during the fiscal year.
- The Local Option Sales Tax was established in previous years to provide additional fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for 100% of capital projects. The Capital Projects Fund decreased by \$36,400 to \$289,900 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

Proprietary Funds

The cash balance of the Enterprise Funds increased by approximately \$136,000 to \$1,189,600. This increase was primarily due to raising the electric rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 6, 2008 and resulted in an increase in operating disbursements related to a cost overrun of approximately \$110,000 on various projects. Even with these budget amendments, the City exceeded the budget for the Public Works and Debt Service functions for the year ended June 30, 2008. None of the amendments made during the 2008 fiscal year should have any impact on the 2009 fiscal year budget.

DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$1,153,000 in bonds and other long-term debt, compared to approximately \$1,518,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)	June 30,	
	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 55	\$ 75
Revenue notes	943	1,247
Capital loan notes	<u>155</u>	<u>196</u>
Total	<u>\$ 1,153</u>	<u>\$ 1,518</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt and capital loan notes of \$210,000 is below its constitutional debt limit of approximately \$1.4 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2009 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 4.8 percent, versus 4.6 percent a year ago. This compares with the State's unemployment rate of 4.0 percent. These indicators were taken into account when adopting the budget for fiscal year 2009.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for the fiscal year 2008 compared with the national rate of 3.4%. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices in 2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Kasi Lenz, City Clerk, City of New London, 112 West Main Street, New London, Iowa 52645.

FINANCIAL STATEMENTS

City of New London
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2008

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business- Type Activities	Total
Functions / Programs:	<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Governmental activities:							
Public safety	\$ 376,362	\$ 9,501	\$ 27,100	\$ -	\$ (339,761)	\$ -	\$ (339,761)
Public works	229,548	11,549	165,948	-	(52,051)	-	(52,051)
Culture and recreation	118,635	-	9,625	-	(109,010)	-	(109,010)
General government	139,578	2,503	-	-	(137,075)	-	(137,075)
Debt service	30,725	-	-	-	(30,725)	-	(30,725)
Capital projects	586,374	-	-	446,177	(140,197)	-	(140,197)
Total government activities	<u>1,481,222</u>	<u>23,553</u>	<u>202,673</u>	<u>446,177</u>	<u>(808,819)</u>	<u>-</u>	<u>(808,819)</u>
Business type activities							
Water	176,720	175,883	-	-	-	(837)	(837)
Electric	1,728,733	1,602,574	-	-	-	(126,159)	(126,159)
Sewer	184,781	198,432	-	-	-	13,651	13,651
Sanitation	113,585	127,958	-	-	-	14,373	14,373
Total business type activities	<u>2,203,819</u>	<u>2,104,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,972)</u>	<u>(98,972)</u>
Total	<u>\$ 3,685,041</u>	<u>\$ 2,128,400</u>	<u>\$ 202,673</u>	<u>\$ 446,177</u>	<u>(808,819)</u>	<u>(98,972)</u>	<u>(907,791)</u>
General Receipts:							
Property tax levied for:							
General purposes					355,068	-	355,068
Tax increment financing					30,071	-	30,071
Local option sales tax					166,066	-	166,066
Unrestricted investment earnings					31,682	40,117	71,799
Transfers					22,000	(22,000)	-
Miscellaneous					91,916	211,934	303,850
Total general receipts and transfers					<u>696,803</u>	<u>230,051</u>	<u>926,854</u>
Change in cash basis net assets					(112,016)	131,079	19,063
Cash basis net assets beginning of year					<u>743,906</u>	<u>1,085,880</u>	<u>1,829,786</u>
Cash basis net assets end of year					<u>\$ 631,890</u>	<u>\$ 1,216,959</u>	<u>\$ 1,848,849</u>
Cash Basis Net Assets							
Restricted:							
Road use					\$ 133,189	\$ -	\$ 133,189
Capital projects					289,899	-	289,899
Other purposes					5,177	473,814	478,991
Unrestricted					<u>203,625</u>	<u>743,145</u>	<u>946,770</u>
Total cash basis net assets					<u>\$ 631,890</u>	<u>\$ 1,216,959</u>	<u>\$ 1,848,849</u>

See notes to financial statements.

City of New London
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2008

	General	Special Revenue Road Use	Capital Projects Fund	Debt Service	Other Nonmajor Governmental	Total
Receipts:						
Property tax	\$ 237,272	\$ -	\$ -	\$ -	\$ 117,796	\$ 355,068
Tax increment financing collections	-	-	-	30,071	-	30,071
Other taxes	27,529	-	138,537	-	-	166,066
Use of money and property	82,738	-	15,044	-	-	97,782
Licenses and permits	865	-	-	-	-	865
Intergovernmental	40,168	165,948	445,118	-	-	651,234
Charges for services	29,041	-	-	-	-	29,041
Miscellaneous	27,341	5,083	-	-	629	33,053
Total receipts	<u>444,954</u>	<u>171,031</u>	<u>598,699</u>	<u>30,071</u>	<u>118,425</u>	<u>1,363,180</u>
Disbursements:						
Operating:						
Public safety	346,487	-	-	-	29,875	376,362
Public works	24,613	132,908	61,386	-	10,641	229,548
Culture and recreation	107,963	-	-	-	10,672	118,635
General government	81,779	-	-	-	57,799	139,578
Debt service	-	-	5,500	25,225	-	30,725
Capital projects	-	18,198	568,176	-	-	586,374
Total disbursements	<u>560,842</u>	<u>151,106</u>	<u>635,062</u>	<u>25,225</u>	<u>108,987</u>	<u>1,481,222</u>
Excess (deficiency) of receipts over disbursements	(115,888)	19,925	(36,363)	4,846	9,438	(118,042)
Other financing sources (uses):						
Operating transfers in (out)	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
Net change in cash balances	(93,888)	19,925	(36,363)	4,846	9,438	(96,042)
Cash balances beginning of year	<u>277,269</u>	<u>113,264</u>	<u>326,262</u>	<u>1,570</u>	<u>10,806</u>	<u>729,171</u>
Cash balances end of year	<u>\$ 183,381</u>	<u>\$ 133,189</u>	<u>\$ 289,899</u>	<u>\$ 6,416</u>	<u>\$ 20,244</u>	<u>\$ 633,129</u>
Cash Basis Fund Balances						
Reserved:						
Debt service	\$ -	\$ -	\$ -	\$ 6,416	\$ -	\$ 6,416
Unreserved:						
General fund	183,381	-	-	-	20,244	203,625
Special revenue fund	-	133,189	-	-	-	133,189
Capital projects fund	-	-	289,899	-	-	289,899
Total cash basis fund balances	<u>\$ 183,381</u>	<u>\$ 133,189</u>	<u>\$ 289,899</u>	<u>\$ 6,416</u>	<u>\$ 20,244</u>	<u>\$ 633,129</u>

See notes to financial statements.

City of New London
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds
As of and for the year ended June 30, 2008

Total governmental funds cash balances (page 11) \$ 633,129

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(1,239)

Cash basis net assets of governmental activities (page 10) \$ 631,890

Net change in cash balances (page 11) \$ (96,042)

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

(15,974)

Change in cash balance of governmental activities (page 10) \$ (112,016)

See notes to financial statements.

City of New London
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2008

	Enterprise Funds					Internal Service Fund
	Water Revenue	Electric Revenue	Sewer Revenue	Sanitation Revenue	Utility Deposits	Employee Health
Operating Receipts:						
Charges for services	\$ 175,883	\$ 1,602,574	\$ 198,432	\$ 127,958	\$ -	\$ 2,104,847
Total operating receipts	<u>175,883</u>	<u>1,602,574</u>	<u>198,432</u>	<u>127,958</u>	<u>-</u>	<u>2,104,847</u>
Operating Disbursements:						
Business type activities	<u>163,045</u>	<u>1,290,780</u>	<u>135,621</u>	<u>113,585</u>	<u>12,150</u>	<u>1,715,181</u>
Total operating disbursements	<u>163,045</u>	<u>1,290,780</u>	<u>135,621</u>	<u>113,585</u>	<u>12,150</u>	<u>1,715,181</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>12,838</u>	<u>311,794</u>	<u>62,811</u>	<u>14,373</u>	<u>(12,150)</u>	<u>389,666</u>
Non-operating receipts (disbursements):						
Intergovernmental	-	132,752	-	-	-	132,752
Interest on investments	12,641	9,672	16,052	1,752	-	40,117
Miscellaneous	6,637	73,537	3,263	804	12,100	96,341
Capital outlay	(13,675)	(140,925)	-	-	-	(154,600)
Debt service	-	(297,028)	(49,160)	-	-	(346,188)
Net non-operating receipts (disbursements)	<u>5,603</u>	<u>(221,992)</u>	<u>(29,845)</u>	<u>2,556</u>	<u>12,100</u>	<u>(231,578)</u>
Excess of receipts over disbursements	<u>18,441</u>	<u>89,802</u>	<u>32,966</u>	<u>16,929</u>	<u>(50)</u>	<u>158,088</u>
Operating transfers in	-	286,000	-	-	-	286,000
Operating transfers out	<u>-</u>	<u>(286,000)</u>	<u>(11,000)</u>	<u>(11,000)</u>	<u>-</u>	<u>(308,000)</u>
	<u>-</u>	<u>-</u>	<u>(11,000)</u>	<u>(11,000)</u>	<u>-</u>	<u>(22,000)</u>
Net change in cash balances	18,441	89,802	21,966	5,929	(50)	136,088
Cash balances, beginning of year	<u>277,244</u>	<u>314,710</u>	<u>392,703</u>	<u>44,323</u>	<u>24,560</u>	<u>1,053,540</u>
Cash balances, end of year	<u>\$ 295,685</u>	<u>\$ 404,512</u>	<u>\$ 414,669</u>	<u>\$ 50,252</u>	<u>\$ 24,510</u>	<u>\$ 1,189,628</u>
Cash Basis Fund Balances						
Reserved for equipment replacement	\$ -	\$ 90,314	\$ 343,000	\$ 40,500	\$ -	\$ 473,814
Unreserved	<u>295,685</u>	<u>314,198</u>	<u>71,669</u>	<u>9,752</u>	<u>24,510</u>	<u>715,814</u>
Total cash basis fund balances	<u>\$ 295,685</u>	<u>\$ 404,512</u>	<u>\$ 414,669</u>	<u>\$ 50,252</u>	<u>\$ 24,510</u>	<u>\$ 1,189,628</u>

See notes to financial statements.

City of New London
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds
As of and for the year ended June 30, 2008

Total enterprise funds cash balances (page 13) \$ 1,189,628

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

27,331

Cash basis net assets of business type activities (page 10) \$ 1,216,959

Net change in cash balances (page 13) \$ 136,088

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.

(5,009)

Change in cash balance of business type activities (page 10) \$ 131,079

See notes to financial statements.

City of New London
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of New London is a political subdivision of the State of Iowa located in Henry County. It was incorporated in 1861 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development and general government services. The City also provides electric, water, refuse collection and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of New London has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission; Henry County Assessor's Conference Board; Henry County Emergency Management Commission, and Henry County Joint E911 Service Board.

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of New London
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt and the Urban Renewal Tax Increment projects.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities. Local option sales tax is recorded in this fund.

City of New London
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City owned electric utility system.

The Sanitation Fund accounts for the operation and maintenance of the City's solid waste collection system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Measurement Focus and Basis of Accounting

The City of New London maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the Public Works and Debt Service functions.

City of New London
Notes to Financial Statements

Note 2. Cash and Pooled Investments

The City's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2008 were entirely in certificates of deposit.

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, sewer and electric revenue bonds and other debt are as follows:

Year Ended June 30.	<u>General Obligation Bonds</u>		<u>Sewer Revenue Bond</u>		<u>Electric Revenue Bond</u>		<u>Other Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 20,000	\$ 3,245	\$ 30,000	\$ 19,290	\$ 285,000	\$ 11,700	\$ 32,822	\$ 4,811
2010	20,000	2,870	30,000	18,390	15,000	600	33,209	3,936
2011	15,000	825	31,000	17,490	-	-	33,600	2,875
2012	-	-	32,000	16,560	-	-	33,939	1,800
2013	-	-	33,000	15,600	-	-	14,815	628
2014-25	-	-	487,000	100,230	-	-	7,019	202
	<u>\$ 55,000</u>	<u>\$ 6,940</u>	<u>\$ 643,000</u>	<u>\$ 187,560</u>	<u>\$ 300,000</u>	<u>\$ 12,300</u>	<u>\$ 155,404</u>	<u>\$ 14,252</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$727,000 in sewer revenue notes issued in April 2005. The notes are payable solely from sewer customer net receipts and are payable through 2025.

The resolutions providing for the issuance of the electric revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

City of New London
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

- (b) Sufficient monthly transfers shall be made to separate electric revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (c) Monthly transfers equal to a sum of one-twelfth of the principal of the Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Sinking Fund for the purpose of making bond interest and principal payments when due. At June 30, 2008, this restricted fund had a balance of approximately \$51,400 and is included as part of the Electric Revenue Fund balance.
- (d) A minimum of \$1,000 per month shall be transferred to the Repair and Replacement Fund until a fund balance of \$50,000 is attained. These funds are to be used solely to pay the cost of extraordinary maintenance expense or repairs and capital improvements to the system. At June 30, 2008, this restricted fund had a balance of \$50,000 and is included as part of the Electric Revenue Fund balance.

Note 4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contributions are established by State statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006, were \$44,900, \$44,100 and \$39,300, respectively, equal to the required contributions for each year.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and other termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 25,100
Personal and holiday	<u>2,900</u>
	<u>\$ 28,000</u>

The liability has been computed based on rates of pay as of June 30, 2008.

City of New London
Notes to Financial Statements

Note 6. Self-Insured Health Benefits

The City of New London has an agreement to provide certain health benefits. The City pays 100 percent of the premium for health insurance. The City also pays 80 percent of the deductible up to the point where Wellmark Blue Cross Blue Shield of Iowa begins coverage. The City's liability for self-insured health benefits was approximately \$65,000 at June 30, 2008.

Note 7. Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,325 during the year ended June 30, 2008.

Note 8. Major Supplier

The Utilities' power is currently purchased through the Resale Power Group of Iowa. The total amount purchased was \$703,265 which represents 100% of the total kilowatt hours generated and purchased.

Note 9. Commitments

The principal commitments of the City are as follows:

Public Works Building & New Office	\$ 49,000
Main Street Sidewalks	70,000
Safe Route Sidewalks	115,000
Land Purchase	100,000
Sand and Salt Building	36,200

Note 10. Franchise Fees

The City receives franchise fees from Mediacom Communications Corporation at 5% of their gross subscriber revenue. The agreement is for 5 years ending November 2011.

City of New London
Notes to Financial Statements

Note 11. Risk Management

The City of New London is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12. Unconditional Guarantee

On April 4, 2008, the City of New London, upon resolution of the City Council, agreed to guarantee the performance by the New London Community and School District Foundation all terms and conditions of the agreement between the Foundation and the United States Department of Agriculture. The loan was to finance the construction of a child care facility. The New London Community School District is the fee title holder of record, but subject to a leasehold interest granted to the New London Community and School District Foundation.

The City of New London, upon notification by the United States Department of Agriculture of any default or non performance of said agreement by the New London Community and School District Foundation shall make payments to cure said default out of any funds of the City of New London, Iowa, including out of its general operating fund or its Debt Service Fund established pursuant to Iowa Code 384.4. This Unconditional Guarantee shall be binding on all successive city councils as it is the intent of the City of New London that this Unconditional Guarantee shall exist for as long as the indebtedness to the United States is outstanding. The City waives all defenses to this Unconditional Guarantee, and pledges its full faith and credit to the repayment and guarantee of the loan.

Note 13. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to:	
General fund	\$ <u>22,000</u>
	\$ <u>22,000</u>
Transfer from:	
Sewer revenue	\$ 11,000
Sanitation revenue	<u>11,000</u>
	\$ <u>22,000</u>

City of New London
Notes to Financial Statements

Note 14. Prospective Accounting Change

The Government Accounting Standards Board (GASB) has issued several statements not yet implemented by the City of New London. The statements, which might impact the City of New London, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City for the fiscal year ending June 30, 2009. This Statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This Statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City for the fiscal year ending June 30, 2010. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the City for the fiscal year ending June 30, 2009. This Statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of New London
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Net</u>	<u>Budgeted Amounts</u>		Final to Net <u>Variance</u>
					<u>Original</u>	<u>Final</u>	
Receipts:							
Property tax	\$ 355,068	\$ -	\$ -	\$ 355,068	\$ 349,133	\$ 349,133	\$ 5,935
Tax increment financing collections	30,071	-	-	30,071	25,300	25,300	4,771
Other city taxes	166,066	-	-	166,066	152,030	152,030	14,036
Use of money and property	97,782	40,117	-	137,899	67,000	67,000	70,899
Licenses and permits	865	-	-	865	2,400	2,400	(1,535)
Intergovernmental	651,234	-	-	651,234	967,174	967,174	(315,940)
Charges for service	29,041	2,104,847	-	2,133,888	2,604,720	2,604,720	(470,832)
Miscellaneous	33,053	229,093	-	262,146	43,902	58,902	203,244
Total receipts	<u>1,363,180</u>	<u>2,374,057</u>	<u>-</u>	<u>3,737,237</u>	<u>4,211,659</u>	<u>4,226,659</u>	<u>(489,422)</u>
Disbursements:							
Public safety	376,362	-	-	376,362	314,584	394,584	18,222
Public works	229,548	-	-	229,548	216,400	216,400	(13,148)
Culture and recreation	118,635	-	-	118,635	110,190	120,190	1,555
General government	139,578	-	-	139,578	128,930	148,930	9,352
Debt service	30,725	346,188	-	376,913	25,225	25,225	(351,688)
Capital projects	586,374	154,600	-	740,974	889,756	889,756	148,782
Business type activities	-	1,715,181	21,470	1,693,711	2,676,900	2,676,900	983,189
Total disbursements	<u>1,481,222</u>	<u>2,215,969</u>	<u>21,470</u>	<u>3,675,721</u>	<u>4,361,985</u>	<u>4,471,985</u>	<u>796,264</u>
Excess (deficiency) of receipts over disbursements	(118,042)	158,088	(21,470)	61,516	(150,326)	(245,326)	
Other financing sources	<u>22,000</u>	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Net change in cash balances	(96,042)	136,088	(21,470)	61,516	(150,326)	(245,326)	
Balances beginning of year	<u>729,171</u>	<u>1,053,540</u>	<u>47,075</u>	<u>1,735,636</u>	<u>1,540,853</u>	<u>1,540,853</u>	
Balances end of year	<u>\$ 633,129</u>	<u>\$ 1,189,628</u>	<u>\$ 25,605</u>	<u>\$ 1,797,152</u>	<u>\$ 1,390,527</u>	<u>\$ 1,295,527</u>	

See accompanying independent auditor's report.

City of New London
Notes to Required Supplementary Information - Budgetary Reporting

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, Internal Service Funds, and Fiduciary Funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$110,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the Public Works and Debt Service function.

OTHER SUPPLEMENTARY INFORMATION

City of New London
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	Employee Benefit
Receipts:	
Property taxes	\$ 117,796
Miscellaneous	<u>629</u>
Total receipts	<u>118,425</u>
Disbursements:	
Public safety	29,875
Public works	10,641
Culture and recreation	10,672
General government	<u>57,799</u>
Total disbursements	<u>108,987</u>
Excess (deficiency) of receipts over disbursements	<u>9,438</u>
Net change in cash balances	9,438
Cash balances beginning of year	<u>10,806</u>
Cash balances end of year	<u>\$ 20,244</u>

See accompanying independent auditor's report.

**City of New London
Statement of Indebtedness
Year Ended June 30, 2008**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation bonds:								
Capital loan note	09/01/99	4.50-5.50%	\$ 110,000	\$ 60,000	\$ -	\$ 15,000	\$ 45,000	\$ 3,210
Capital loan note	09/01/99	6.75-8.20%	55,000	<u>15,000</u>	<u>-</u>	<u>5,000</u>	<u>10,000</u>	<u>1,215</u>
				<u>75,000</u>	<u>-</u>	<u>20,000</u>	<u>55,000</u>	<u>4,425</u>
Revenue bonds:								
Electric revenue refunding notes	04/04/06	3.60-4.0%	835,000	575,000	-	275,000	300,000	22,027
Sewer revenue capital loan notes	04/07/05	3.00%	727,000	<u>672,000</u>	<u>-</u>	<u>29,000</u>	<u>643,000</u>	<u>20,160</u>
				<u>1,247,000</u>	<u>-</u>	<u>304,000</u>	<u>943,000</u>	<u>42,187</u>
Other debt:								
Danville Bank-fire truck	11/20/03	2.875%	135,809	97,809	-	20,741	77,068	2,740
Danville Bank-aerial truck	05/01/07	3.00%	98,000	<u>98,000</u>	<u>-</u>	<u>19,664</u>	<u>78,336</u>	<u>2,884</u>
				<u>195,809</u>	<u>-</u>	<u>40,405</u>	<u>155,404</u>	<u>5,624</u>
Total				<u>\$ 1,517,809</u>	<u>\$ -</u>	<u>\$ 364,405</u>	<u>\$ 1,153,404</u>	<u>\$ 52,236</u>

See accompanying independent auditor's report.

**City of New London
Bond and Note Maturities
June 30, 2008**

General Obligation Bonds							
Year Ending <u>June 30,</u>	<u>Capital Loan Note</u> <u>Issued September 1, 1999</u>		<u>Capital Loan Note</u> <u>Issued September 1, 1999</u>		General Obligation Bonds <u>Totals</u>	<u>Electric Revenue Bond</u> <u>Issued April 4, 2006</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2009	8.10%	\$ 5,000	5.30%	\$ 15,000	\$ 20,000	3.90%	\$ 285,000
2010	8.20%	5,000	5.40%	15,000	20,000	4.00%	15,000
2011		-	5.50%	15,000	15,000		-
		<u>\$ 10,000</u>		<u>\$ 45,000</u>	<u>\$ 55,000</u>		<u>\$ 300,000</u>
Other Debt							
Year Ending <u>June 30,</u>	<u>Fire Truck</u> <u>Danville State Bank</u> <u>Issued November 20, 2003</u>		<u>Aerial Truck</u> <u>Danville State Bank</u> <u>Issued May 1, 2007</u>		Other Debt <u>Totals</u>	<u>Sewer Revenue Bond</u> <u>Issued April 7, 2005</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2009	2.875%	\$ 13,222	3.00%	\$ 19,600	\$ 32,822	3.00%	\$ 30,000
2010	2.875%	13,609	3.00%	19,600	33,209	3.00%	30,000
2011	2.875%	14,000	3.00%	19,600	33,600	3.00%	31,000
2012	2.875%	14,403	3.00%	19,536	33,939	3.00%	32,000
2013	2.875%	14,815		-	14,815	3.00%	33,000
2014	2.875%	7,019		-	7,019	3.00%	34,000
2015		-		-	-	3.00%	35,000
2016		-		-	-	3.00%	36,000
2017		-		-	-	3.00%	38,000
2018		-		-	-	3.00%	39,000
2019		-		-	-	3.00%	40,000
2020		-		-	-	3.00%	41,000
2021		-		-	-	3.00%	42,000
2022		-		-	-	3.00%	43,000
2023		-		-	-	3.00%	45,000
2024		-		-	-	3.00%	46,000
2025		-		-	-	3.00%	48,000
		<u>\$ 77,068</u>		<u>\$ 78,336</u>	<u>\$ 155,404</u>		<u>\$ 643,000</u>

See accompanying independent auditor's report.

City of New London
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

	Years Ended June 30,					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:						
Property tax	\$ 355,068	\$ 346,641	\$ 336,364	\$ 338,933	\$ 335,928	\$ 324,636
Tax increment financing collections	30,071	29,378	31,645	30,930	27,147	26,431
Other city taxes	166,066	146,881	150,312	145,255	135,775	102,167
Use of money and property	97,782	83,138	69,169	64,074	63,820	67,960
Licenses and permits	865	880	1,480	2,232	1,745	1,543
Intergovernmental	651,234	300,204	208,805	205,790	243,872	258,095
Charges for services	29,041	26,892	28,185	28,418	36,718	9,313
Miscellaneous	<u>33,053</u>	<u>18,775</u>	<u>22,943</u>	<u>36,157</u>	<u>35,203</u>	<u>31,352</u>
Total	<u>\$ 1,363,180</u>	<u>\$ 952,789</u>	<u>\$ 848,903</u>	<u>\$ 851,789</u>	<u>\$ 880,208</u>	<u>\$ 821,497</u>
Disbursements:						
Operating:						
Public safety	\$ 376,362	\$ 296,617	\$ 256,482	\$ 229,864	\$ 228,702	\$ 276,349
Public works	229,548	172,628	208,992	176,035	187,660	172,797
Culture and recreation	118,635	114,108	115,307	105,579	89,922	110,880
Community and economic development	-	-	-	-	200	-
General government	139,578	122,309	117,137	114,271	124,696	120,708
Debt service	30,725	26,440	27,645	64,666	48,874	37,011
Capital projects	<u>586,374</u>	<u>134,885</u>	<u>43,767</u>	<u>81,130</u>	<u>212,581</u>	<u>175,915</u>
Total	<u>\$ 1,481,222</u>	<u>\$ 866,987</u>	<u>\$ 769,330</u>	<u>\$ 771,545</u>	<u>\$ 892,635</u>	<u>\$ 893,660</u>

See accompanying independent auditor's report.



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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of New London, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated August 12, 2008. Our report expressed an unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of New London's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of New London's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of New London's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of New London's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of New London's financial statements that is more than inconsequential will not be prevented or detected by City of New London's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of New London's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 and I-B-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of New London's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of New London's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of New London's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of New London and other parties to whom City of New London may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of New London during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

August 12, 2008

City of New London
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES

I-A-08 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with generally accepted accounting principles, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of New London. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

I-B-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

City of New London
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

SIGNIFICANT DEFICIENCY

I-C-08 Credit Cards - The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - Although the City has not established a formal written policy detailing specifics on the use of City credit cards, they have unwritten guidelines. The City will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-08 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.

II-B-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public works and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of New London
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

II-G-08 Bonds and Revenue Notes - The City has complied with the revenue bond and note resolutions.

II-H-08 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted, except as follows:

The City has not approved a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should approve a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Response - The City currently has no investment policy. An investment policy will be drafted and adopted as recommended.

Conclusion - Response accepted.

II-I-08 Business Transactions - Business transactions between the City and City officials are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions</u>	<u>Amount</u>
Frank Staley, Council Member Owner of Construction Company	Roof repair	\$ 1,225
Scott Housman, Utility Board Member Seed sales	Grass seed	\$ 100

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions do not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year.